

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



CHINA AEROSPACE INTERNATIONAL HOLDINGS LIMITED

中國航天國際控股有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 31)

ANNOUNCEMENT

MAJOR AND CONNECTED TRANSACTION

IN RELATION TO

THE SUBSCRIPTION OF 50% EQUITY INTEREST IN HAINAN AEROSPACE

AND

PRICE SENSITIVE INFORMATION

THE SUBSCRIPTION AGREEMENT AND THE FRAMEWORK AGREEMENTS

The Board of Directors announced that on 5 November 2012:

- (a) CASIL Hainan, New Century, Hainan Expressway and CGWIC entered into the Subscription Agreement in relation to the Subscription, being the conditional subscription by each of Hainan Expressway and CGWIC of 25% equity interest in the Project Company (as enlarged by the subscriptions) at approximately RMB315,000,000, both Subscriptions shall be satisfied in cash ; and
- (b) the Company and the Investors entered into the Framework Agreements respectively in relation to the proposed investment by CDB Capital and PICC Life Insurance in the Project Company.

Upon completion of the Subscription, the Project Company will cease to be an indirect wholly-owned subsidiary of the Company and will become a jointly controlled entity of the Company, subject to auditor's final confirmation.

IMPLICATION OF THE LISTING RULES

As certain of the applicable percentage ratios as calculated under Rule 14.07 of the Listing Rules exceed 25% but less than 75%, the Subscription is a deemed disposal and constitutes a major transaction for the Company under the Listing Rules which is subject to the reporting, announcement and Independent Shareholders' approval requirements.

CGWIC, being an indirect wholly-owned subsidiary of CASC, which in turn is the controlling shareholder of the Company beneficially interested in 1,183,598,636 Shares (representing approximately 38.37% of the issued share capital of the Company) as at the date of this announcement, is a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the Subscription constitutes a connected transaction of the Company under Rule 14A.13(1)(a) of the

Listing Rules and is subject to the Independent Shareholders' approval at the EGM where CASC and its associates will be required to abstain from voting in respect of the resolution approving the Subscription .

A circular containing, *inter alia*, (i) further details of the Subscription; (ii) the recommendation of the Independent Board Committee to the Independent Shareholders; (iii) the letter from the Independent Financial Advisor to both the Independent Board Committee and the Independent Shareholders; and (iv) the notice of EGM, will be despatched to the Shareholders. As it will take sometime for the Company to prepare the relevant information for inclusion in the circular, it is expected that the circular will be despatched on or before 14 December 2012.

Disclosure of the Framework Agreements is made pursuant to Rule 13.09 of the Listing Rules.

The completion of the Subscription is subject to, among other conditions, approval from the Independent Shareholders.

The subscriptions by CDB Capital and PICC Life Insurance are subject to the terms of the relevant subscription agreements to be negotiated and entered into respectively. The subscriptions may or may not materialise.

Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

The Board of Directors announced that on 5 November 2012:

- (a) CASIL Hainan, New Century, Hainan Expressway and CGWIC entered into the Subscription Agreement in relation to the Subscription, being the conditional subscription by each of Hainan Expressway and CGWIC of 25% equity interest in the Project Company (as enlarged by the subscriptions) at RMB315,000,000, both subscriptions shall be satisfied in cash; and
- (b) the Company and the CDB Capital and PICC Life Insurance entered into the Framework Agreements respectively in relation to their proposed investment in the Project Company.

THE SUBSCRIPTION AGREEMENT

Date	:	5 November 2012
Parties	:	(1) CASIL Hainan, an indirect wholly-owned subsidiary of the Company; (2) New Century, a direct wholly-owned subsidiary of the Company; (3) Hainan Expressway; and (4) CGWIC, a wholly-owned subsidiary of CASC. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Hainan Expressway is an Independent Third Party.

Subject matter	<p>: The subscription of 25% of the enlarged registered capital of the Project Company by each of Hainan Expressway and CGWIC, respectively, which results in a reduction of the equity interests in the Project Company of (i) CASIL Hainan from 65% to 32.5%; and (ii) New Century from 35% to 17.5% (thereby reducing the aggregate indirect equity interest of the Company from 100% to 50%).</p> <p>Upon completion of the Subscription, the enlarged registered capital of the Project Company will be increased from RMB600,000,000 (equivalent to HK\$738,000,000) to RMB1,200,000,000 (equivalent to HK\$1,476,000,000).</p>
Consideration	<p>: The preliminary subscription price is RMB1.05 per share of the registered capital, subject to adjustment based on the valuation of the Project Company as at 30 September 2012 to be conducted by Beijing Tianjian Xingye. No adjustment will be made with respect to any gain or loss of the Project Company between 30 September 2012 and the date of registration with the relevant administration of industry and commerce.</p> <p>Given that the interest in the Project Company constitutes a State-Owned asset, a qualified assets valuer, Beijing Tianjian Xingye, was appointed by the parties to value the Project Company. The valuation of the Project Company will be made in accordance with the rules and regulations of valuation of state-owned assets.</p>
Payments	<p>: Each of Hainan Expressway and CGWIC shall pay the subscription monies, being initially RMB315,000,000, subject to adjustment, in cash within 30 days after the Subscription Agreement becomes unconditional.</p>
Conditions precedent	<p>: The Subscription Agreement will not become effective until it is signed or stamped by the parties to the Subscription Agreement and relevant approvals are obtained by the parties to the Subscription Agreement, subject to regulated procedures.</p>
Rights of Hainan Expressway and CGWIC	<p>: If within 6 months from the date of the Subscription Agreement that there are subscriptions of the registered capital of the Project Company by other investors, Hainan Expressway is entitled to further subscribe at the same consideration as the current subscription, subject to a maximum additional registered capital of RMB300,000,000.</p>
Composition of the board of directors, board of supervisors and management of the Project Company	<p>: The board of directors of the Project Company shall comprise of five directors, which shall be nominated by the parties to the Subscription Agreement as follows:</p> <ul style="list-style-type: none"> (a) two directors by CASIL Hainan; (b) one director by New Century; (c) one director by Hainan Expressway; and (d) one director by CGWIC. <p>CASIL Hainan is entitled to nominate the Chairman.</p> <p>The board of supervisors of the Project Company shall comprise of five supervisors. Each of the parties to the Subscription Agreement shall be entitled to nominate one supervisor and the remaining one supervisor shall be the employees' representative of the Project Company. The Chairman of the board of supervisors shall be elected by the majority of the supervisors.</p>

		The management of the Project Company shall responsible for the daily operations. The posts of general manager, deputy general managers and financial controller shall be recommended by all shareholders or publicly recruited.
Termination or amendment	:	If 1. there occurs an event of force majeure; or 2. the relevant approvals for the Subscription have not been obtained; or 3. any material breach of the Subscription Agreement by any of the parties to the Subscription Agreement which results in the purpose of the transactions contemplated under the Subscription Agreement cannot be achieved; or 4. the parties to the Subscription Agreement agree to the termination of or changes in the agreement due to the occurrence of a material adverse change, the Subscription Agreement shall be terminated or amended, as the case may be.
Governing law	:	the laws of the PRC

THE FRAMEWORK AGREEMENTS

Date	:	5 November 2012	5 November 2012
Parties	:	(1) the Company; and (2) CDB Capital.	(1) the Company; and (2) PICC Life Insurance.
		To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, CDB Capital and PICC Life Insurance are Independent Third Parties.	
Subject matter	:	Approximately RMB600,000,000	Actual proposal and subscription will be confirmed upon the obtain of relevant regulatory approvals.
Consideration	:	The subscription price per share will be based on the valuation to the Project Company as at 30 September 2012 to be conducted by Beijing Tianjian Xingye. No adjustment will be made in respect of any gain or loss of the Project Company between 30 September 2012 to the date of registration with the relevant administration of industry and commerce.	
Payments	:	The consideration for the subscription shall be paid in cash.	
Conditions precedent	:	The Framework Agreements will become effective upon the relevant approvals (including but not limited to the approvals of the board of directors or the shareholders) being obtained by all parties thereunder.	
Obligations and rights of the Company	:	The Company warrants, amongst others, that after the signing of the Framework Agreements and prior to the signing of investment agreements with the Investors, the Company shall procure the Project Company not to enter into any material contracts (with contractual amount of RMB200,000 or	

	above), any material changes in its human resources and such other material events. If such events are necessary for the business operations of the Project Company, the Company shall communicate with the Investors in advance.
Organisation structure :	<p>After the capital increment, the Company, via CASIL Hainan and New Century, together with Hainan Expressway, CGWIC, CDB Capital and PICC Life Insurance shall be the shareholders of the Project Company. Each of them shall be entitled to the rights and obligations as a shareholder of the Project Company in accordance with the Company Law of the PRC, the amended Articles of Association of the Project Company and such other relevant legislation and regulations.</p> <p>The number of directors and the supervisors for the board of directors and the board of supervisors, the number of directors and supervisors to be nominated by each of the shareholders shall be in accordance with their respective shareholding proportion. The Chairman shall be nominated by the Company.</p> <p>The management team shall comprise of nominees recommended by the shareholders and persons recruited publicly, who shall be appointed by the new board of directors to be established.</p> <p>The Articles of Association of the Project Company shall be amended at the shareholders' meeting to be held within 10 days after full payment of capital contributions by the CDB Capital and PICC Life Insurance, respectively.</p>
Other requirements :	Each of the Investors shall enter into an investment agreement for the Project Company within 6 months from the date of their respective Framework Agreement. If any of the Investors fails to complete the subscription within the specified period, their respective Framework Agreement shall lapse.

The subscriptions by CDB Capital and PICC Life Insurance are subject to the terms of the relevant subscription agreements to be negotiated and entered into respectively.

REASONS AND BENEFITS FOR ENTERING INTO THE SUBSCRIPTION

The Project Company is responsible for implementation of the strategic cooperation between The People's Government of Hainan Province and CASC, which is the controlling shareholder of the Company, in respect of the development of the Complex Zone of the Launching Site (the "Project").

CASIL Hainan is a wholly-owned subsidiary of the Company incorporated in Hong Kong. It entered into a Land Development Agreement on 20 August 2008 with the Wenchang Government in relation to the land development of the Complex Zone of the Launching Site, pursuant to which the development work shall be carried out by the Project Company. Please refer to the announcement published by the Company on 20 August 2008 for details.

As of the date of this announcement, the Company and the Project Company have contributed significant effort on the fundamental work. Given the abundant fund strength of the new investors, it is expected that the Company and the new investors will make use of their respective competitive advantages and explore a new model of cooperation and development that leads to the successful completion of the Project, so as to build up a long term strategic investors relation through this cooperation.

The Directors (excluding the Independent Non-Executive Directors, the Independent Non-Executive Directors will express their views in the circular after considering the advice from the Independent

Financial Adviser) believe that the terms of the Subscription under the Subscription Agreement are on normal commercial terms, which are fair and reasonable and the entering into of the Subscription Agreement is in the interests of the Company and the Shareholders as a whole.

INFORMATION ON THE PARTIES TO THE SUBSCRIPTION AGREEMENT AND THE FRAMEWORK AGREEMENTS

The Company

The Company is an investment holding company. Its subsidiaries are principally engaged in the business of hi-tech manufacturing and aerospace service.

Hainan Expressway

The principal activities of Hainan Expressway include highway construction and maintenance management, development and sale of real estate, and comprehensive development of tourism services in the Hainan Province.

CGWIC

The principal activities of CGWIC include the provision of launch services and the business related to the international co-operation in satellite and space technology.

CASIL Hainan

CASIL Hainan is an indirect wholly-owned subsidiary of the Company and is the principal developer of the Project.

New Century

New Century is a direct wholly-owned subsidiary of the Company and is principally engaged in the investment holding business.

CDB Capital

CDB Capital is a wholly-owned subsidiary of China Development Bank Corporation and is principally engaged in the businesses of private equity fund, direct investment, investment advisory and financial advisor.

PICC Life Insurance

PICC Life Insurance is a subsidiary of The People's Insurance Company (Group) of China Limited and is principally engaged in the businesses of various insurances and investments.

INFORMATION ON THE PROJECT COMPANY

CASIL Hainan entered into a Land Development Agreement on 20 August 2008 with the Wenchang Government in relation to the land development of the Complex Zone of the Launching Site, pursuant to which the development work shall be carried out by the Project Company. Please refer to the announcement published by the Company on 20 August 2008 for details.

The shareholding of the Project Company prior to and after the completion of the Subscription and the investment by CDB Capital is shown as below:

Investor	Registered capital prior to completion of the Subscription		Registered capital after completion of the Subscription		Registered Capital after completion of the Subscription and the investment by CDB Capital	
	RMB ('000)	%	RMB ('000)	%	RMB ('000)	%
CASIL Hainan New Century	390,000	65.00	390,000	32.50	390,000	21.67
Hainan Expressway	210,000	35.00	210,000	17.50	210,000	11.66
CGWIC	0	0	300,000	25.00	300,000	16.67
CDB Capital	0	0	0	0	600,000	33.33
Total	600,000	100.00	1,200,000	100.00	1,800,000	100.00

FINANCIAL INFORMATION OF THE PROJECT COMPANY

The following is the audited financial information of the Project Company for the two years ended 31 December 2011 immediately preceding the date of the Subscription Agreement:

	For the year ended 31 December 2010 RMB'000	For the year ended 31 December 2011 RMB'000
Turnover	—	—
Loss before taxation	12,353	6,854
Loss after taxation	12,353	6,854
Net asset value	582,882	576,028

FINANCIAL EFFECT OF THE SUBSCRIPTION

Upon the completion of the Subscription, the Project Company will cease to be an indirect wholly owned subsidiary of the Company and will become a jointly controlled entity of the Company, the accounts of which will be recorded in the Company's consolidated accounts by way of equity method, subject to auditor's final confirmation.

USE OF PROCEEDS

The net proceeds from the Subscription will be applied as working capital of the Project Company.

IMPLICATION OF THE LISTING RULES

As certain of the applicable percentage ratios as calculated under Rule 14.07 of the Listing Rules exceed 25% but less than 75%, the Subscription is a deemed disposal and constitutes a major transaction for the Company under the Listing Rules which is subject to the reporting, announcement and Independent Shareholders' approval requirements.

CGWIC, being an indirect wholly-owned subsidiary of CASC, which in turn is the controlling

shareholder of the Company beneficially interested in 1,183,598,636 Shares (representing approximately 38.37% of the issued share capital of the Company) as at the date of this announcement, is a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the Subscription constitutes a connected transaction of the Company under Rule 14A.13(1)(a) of the Listing Rules which shall be subject to the Independent Shareholders' approval at the EGM and CASC and its associates will be required to abstain from voting in respect of the resolution approving the Subscription.

As Mr Zhang Jianheng, Mr Chen Xuechuan and Mr Shi Weiguo are officers of CASC and Mr Wu Zhuo had declared a potential conflict of interest, they had abstained from voting on the resolution approving the CGWIC Subscription contemplated under the Subscription Agreement.

Disclosure of the Framework Agreements is made pursuant to Rule 13.09 of the Listing Rules.

The completion of the Subscription is subject to, among other conditions, approval from the Independent Shareholders.

The subscriptions by CDB Capital and PICC Life Insurance are subject to the terms of the relevant subscription agreements to be negotiated and entered into respectively. The subscriptions may or may not materialise.

Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

GENERAL

The Independent Board Committee, comprising all the Independent Non-Executive Directors, has been established to consider the terms of the Subscription Agreement and advise the Independent Shareholders as to whether the CGWIC Subscription were entered into in the ordinary and usual course of business, and the terms of the Subscription Agreement were agreed on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Somerley Limited has been appointed to advise the Independent Board Committee and the Independent Shareholders as to whether the CGWIC Subscription were entered into in the ordinary and usual course of business, and the terms of the Subscription Agreement were agreed on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

A circular containing, *inter alia*, (i) further details of the Subscription; (ii) the recommendation of the Independent Board Committee to the Independent Shareholders; (iii) the letter from the Independent Financial Advisor to both the Independent Board Committee and the Independent Shareholders; and (iv) the notice of EGM, will be despatched to the Shareholders. As it will take some time for the Company to prepare the relevant information for inclusion in the circular, it is expected that the circular will be despatched on or before 14 December 2012.

DEFINITIONS

In this announcement, the following expressions shall have the meanings set out below unless the context requires otherwise:

"associates"	has the same meaning as defined in the Listing Rules;
"Beijing Tianjian Xingye"	Beijing Tianjian Xingye Assets Valuation Co. Ltd.* (北京天健興業資產評估有限公司), a qualified assets valuer commissioned by the parties to the Subscription Agreement;

"Board"	the Board of Directors;
"CASC"	China Aerospace Science & Technology Corporation, a state-owned enterprise established in the PRC. As of the date of this announcement, it holds approximately 38.37% shareholding in the Company and is a controlling shareholder of the Company;
"CASIL Hainan"	CASIL Hainan Holdings Limited (航天海南控股有限公司), an indirect wholly-owned subsidiary of the Company established in Hong Kong as a limited liability company;
"CGWIC"	China Great Wall Industry Corporation* (中國長城工業集團有限公司), a state-owned enterprise established in the PRC;
"CGWIC Subscription"	the subscription by CGWIC for 25% of the enlarged registered capital of the Project Company at approximately RMB315,000,000 pursuant to the Subscription Agreement;
"Company"	China Aerospace International Holdings Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Stock Exchange;
"Director(s)"	the directors of the Company;
"EGM"	extraordinary general meeting of the Company to be convened for approving, among other things, the Subscription Agreement and the transactions contemplated thereunder;
"Framework Agreements"	the framework agreements entered into between the Company and the Investors respectively on 5 November 2012 in respect of the proposed investment in the Project Company;
"Hainan Expressway"	Hainan Expressway Co., Ltd.* (海南高速公路股份有限公司), a company established in the PRC, whose shares are listed on the Shenzhen Stock Exchange (stock code: 000886);
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China;
"HK\$"	Hong Kong dollars, the lawful currency of Hong Kong;
"Independent Board Committee"	an independent committee of the Board of Directors of the Company comprising Mr Luo Zhenbang, Mr Wang Junyan and Ms Leung Sau Fan, Sylvia, being all the Independent Non-Executive Directors;
"Independent Financial Adviser"	Somerley Limited, a corporation licensed under the Securities & Futures Ordinance (Cap. 571 of the Laws of Hong Kong) to conduct type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities and the Independent Financial Adviser to the Independent Board Committee and the

Independent Shareholders in relation to the CGWIC Subscription;

"Independent Shareholders"	Shareholders other than CASC and its associates;
"Independent Third Party(ies)"	an individual(s) or a company(ies) who or which is/are independent of and not connected with (within the meaning of the Listing Rules) the Directors, chief executive and substantial shareholders (within the meaning of the Listing Rules) of the Company, its subsidiaries or any of their respective associates;
"CDB Capital"	China Development Bank Capital Corporation Ltd. (國開金融有限責任公司), a company incorporated under the laws of the PRC and a wholly owned subsidiary of China Development Bank Corporation, or its controlled investment vehicle;
"PICC Life Insurance"	PICC Life Insurance Company Limited (中國人民人壽保險股份有限公司), a company established under the laws of the PRC and a subsidiary of The People's Insurance Company (Group) of China Limited;
"Investors"	collectively referred to CDB Capital and PICC Life Insurance, and "Investor" shall be construed accordingly;
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
"New Century"	CASIL New Century Technology Development (Shenzhen) Company Limited*(航科新世紀科技發展(深圳)有限公司), a wholly-owned subsidiary of the Company established in the PRC as a limited liability company;
"PRC"	the People's Republic of China, which for the purpose of this announcement excludes Hong Kong, the Macao Special Administrative Region and Taiwan;
"Project Company"	Hainan Aerospace Investment Management Company Limited*(海南航天投資管理有限公司), a Sino-foreign equity joint venture company incorporated in the PRC, held by CASIL Hainan and New Century respectively;
"RMB"	Reminbi, the lawful currency of the PRC;
"Share(s)"	ordinary share(s), currently with par value of HK\$0.10 each in the share capital of the Company;
"Shareholder(s)"	holder(s) of Share(s);
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"Subscription"	the subscription by each of Hainan Expressway and CGWIC of 25% of the enlarged registered capital of the Project Company pursuant to the Subscription Agreement, which results in a reduction of the indirect equity interest of the Company in the

Project Company from 100% to 50%; and

"Subscription Agreement"

the subscription agreement entered into between CASIL Hainan, New Century, Hainan Expressway and CGWIC on 5 November 2012 in respect of the Subscription.

By order of the Board

Li Hongjun

Executive Director & President

Hong Kong, 5 November 2012

As of the date of this announcement, the Board of Directors of the Company comprises:

Executive Directors

Mr Li Hongjun (*President*)
Mr Jin Xuesheng

Non-Executive Directors

Mr Zhang Jianheng (*Chairman*)
Mr Wu Zhuo (*Vice Chairman*)
Mr Chen Xuechuan
Mr Shi Weiguo

Independent Non-Executive Directors

Mr Luo Zhenbang
Mr Wang Junyan
Ms Leung Sau Fan, Sylvia

An exchange rate of RMB\$1.00 to HK\$1.23 has been adopted as the conversion rate of RMB into HK dollars for the purpose of this announcement. Such exchange rate does not constitute a representation that any amounts have been, could have been, or may be exchanged at such or any other rates.

**The English names set out herein are for identification purpose only.*